



Indiana Department of Revenue

News Release

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Contact: Cathy Henninger
317/233-3070

Changes in State Sales Tax Laws Affect Both Indiana Businesses and Taxpayers

Over 164,000 sales tax notices are being mailed to Hoosier businesses updating them on new sales tax legislation. The changes are due to recent legislative action.

The new laws affect some ten different areas of state sales taxation, including delivery charges, installation charges, complimentary rooms, utility services, and telecommunication services. Also affected are satellite TV/radio services, vehicles, bad debts, retail merchant registration and the Department's responsibility regarding industry classification codes.

In most cases, the new laws eliminate or exempt sales tax on items or services that previously had been made taxable. However new taxable items/services include satellite TV and radio services in the same manner as cable television services, vehicles purchased in Indiana but immediately taken out of state, and items sold to Indiana residents by some out-of-state companies not previously responsible for collecting Indiana Sales Tax.

Some of the changes, like the ones affecting delivery and installation charges and telecommunication services, were effective upon passage; but the law affecting sales tax on satellite TV and radio services became effective March 1, and the new law regarding industry classification codes does not become effective until January 1, 2005.

For more information about the above legislative changes, go to the "Up to the Minute" section of the Indiana Department of Revenue's web site, www.in.gov/dor. Pertinent information about new Commissioner's Directives and Information Bulletins regarding these changes can be found under "Publications" at that web site, and changes in certain forms (for instance, ST-108 and ST-137) can be found under "Tax Forms."

(See text of Sales Tax Notice below.)

INDIANA DEPARTMENT OF REVENUE

New Legislation – *Sales Tax*

The 2004 Indiana General Assembly passed several measures regarding the application of sales tax in the State of Indiana. Please review these changes. If more information is needed, please visit the Indiana Department of Revenue's web site at www.IN.gov/dor.

Delivery Charges (IC 6-2.5-1-5 and IC 6-2.5-4-1. Effective March 18, 2004)

Effective January 1, 2004, Indiana sales tax was applied to delivery charges regardless of the terms of delivery. The Legislature has now made further clarifications effective March 18, 2004. Delivery charges are now defined in the

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Indiana Government Center North, Indianapolis, IN 46204

statute as charges by the seller for preparation and delivery of the property to a location designated by the purchaser of the property, including transportation, shipping, postage, handling, crating, and packing. A transfer of property does not occur until after delivery of the property to the purchaser. See Commissioner's Directive # 21 and # 22 at www.in.gov/dor/publications/comdir/index.html.

Installation Charges (IC 6-2.5-1-5. Effective March 18, 2004)

Installation charges will no longer be subject to sales tax. The installation charges must be separately stated on the invoice, bill of sale or a similar document given to the purchaser to be exempt.

Complimentary Rooms (IC 6-2.5-4-4.5. Effective April 1, 2004)

The statute has been repealed requiring sales tax to be calculated and remitted on complimentary rooms provided by an innkeeper. This means that the **final** report for reporting the sales tax on complimentary rooms, the number of rooms and the applicable rental rate will be due in April for the March transactions. Also effective April 1, 2004, Form RST-CR and Commissioner's Directive #20 will be deleted.

Utility Services / Military Bases (IC 6-2.5-4-5. Effective July 1, 2004)

New legislation creates a sales tax exemption for utility services that are separately metered and provided to a business that expands or relocates its operations to a military base, a military base reuse area, a military base recovery site, or an economic development area in a county where a military base has closed. For more information on Public Utilities, refer to Sales Tax Information Bulletin #51 at www.in.gov/dor/publications/bulletin/sales/pdf/sib51.pdf.

Telecommunication Services (IC 6-2.5-4-6. Effective March 9, 2004)

Indiana law now states if charges for telecommunications services not taxable are aggregated with charges that are taxable, the charges for the nontaxable services are exempt from the sales tax if the provider can reasonably identify the charges not subject to the sales tax from the service provider's books and records kept in the regular course of business. For more information on Telecommunication Services refer to Sales Tax Information Bulletin #51T at www.in.gov/dor/publications/bulletin/sales/pdf/sib51t.pdf.

Satellite TV / Radio Service (IC 6-2.5-4-11. Effective March 1, 2004)

Effective March 1, 2004 Indiana sales tax applies to the provision of satellite TV or radio service that terminates in Indiana. This is in the same manner as cable television. See Sales Tax Information Bulletin # 17 at www.in.gov/dor/publications/bulletin/sales/pdf/sib17.pdf.

Vehicles, Watercraft/Aircraft (IC 6-2.5-5-15. Effective July 1, 2004)

Effective July 1, 2004 Indiana sales tax applies to **all** motor vehicles, trailers, watercraft, or aircraft purchased in Indiana. The Legislature repealed the sales tax exemption previously granted a vehicle, watercraft, or aircraft that was transported immediately outside Indiana and the vehicle, trailer, watercraft, or aircraft is to be titled or registered in another state. Look for future changes in Form ST-108 and ST-137.

Bad Debt (IC 6-2.5-6-9. Effective July 1, 2004)

Effective July 1, 2004 a sales tax deduction for a bad debt is assignable only if the retail merchant that paid the sales/use tax liability assigned the right in writing. This amendment applies to retail transactions occurring after June 30, 2004.

Retail Merchant Registration (IC 6-2.5-8-10. Effective July 1, 2004)

A retailer that does not maintain a place of business in Indiana, makes retail transactions from outside Indiana to a destination in Indiana, and is closely related to another person that maintains a place of business in Indiana must register and collect sales tax for their sales to Indiana customers. Coming soon, a new Commissioner's Directive about retail merchants at www.in.gov/dor/publications/comdir/index.html.

Industry Classification Codes (IC 6-2.5-10.5. Effective January 1, 2005)

The Department of Revenue is to collect and maintain information for all retail merchants concerning the merchant's industry classification codes.

For new information about the above legislation and/or other important tax information go to **Up to the Minute** on the Department's web page at www.in.gov/dor/minute/index.html.